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a - misc
b - C2/F
C - OCO/GAIL
Return to 7F33

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RESEARCH REPORT

**The Sino-Vietnamese Problem in 1981:
A New Baseline for Military Action**

25 MARCH 1981

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**APPROVED FOR RELEASE
DATE: JUN 2002**

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The Sino-Vietnamese Problem in 1981: A New Baseline for Military Action

INTRODUCTION

It has been about two years since the Peoples Republic of China (PRC) invaded Vietnam as a lesson to the Vietnamese that aggression in Southeast Asia would not go unpunished. Since that "lesson" the Vietnamese have concentrated on consolidating their hold on Kampuchea, occasionally launching forays into Thailand to reduce the effectiveness of the Kampuchean resistance based there. The Chinese have from time to time responded to Vietnamese actions in Kampuchea with military actions along their border with Vietnam, periodically threatening a "second lesson." The purpose of this Research Report is to reexamine the military context now pertaining in Southeast Asia and relevant political factors. The paper will explore changes in the activities and positions of the potential participants in any future conflict in Southeast Asia that might reflect changes in their perceptions of risk and thus in the likelihood of an outbreak of hostilities.

This research report is the product of the Strategic Warning Staff and has not been coordinated with the rest of the intelligence community. Comments were solicited and incorporated at the discretion of the Strategic Warning Staff. Questions or comments on this report should be addressed to the Director, Strategic Warning Staff, [redacted]

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KEY JUDGMENTS

Severe economic problems will act to constrain the Chinese from launching a full-scale attack against Vietnam, comparable to the 1979 "lesson," in response to Vietnamese military actions in Kampuchea or along the Sino-Vietnamese border. Although the Chinese have vowed to administer a "second lesson" if necessary, internal conditions will increase their tolerance of military provocations by Vietnam and reinforce China's commitment to long term pressures on Vietnam coupled with periodic reminders of Chinese ability to inflict heavy military damage. China is likely to continue to provide low-cost, but substantial aid to Khmer forces in Kampuchea, use mostly border forces to retaliate in kind for Vietnamese actions in the Thai-Kampuchean and Sino-Vietnamese border zones, and stage exercises by regular forces in southern China to intimidate the Vietnamese and keep much of Hanoi's army tied down opposite southern China. Nevertheless, China's problems increase Vietnam's flexibility to pursue more vigorously suppression campaigns in Kampuchea and adjacent areas of Thailand with relative impunity. Conditions seem much more favorable now for Vietnamese military action in Kampuchea than perhaps at any time since the conquest of Kampuchea.

Although military exertions contribute heavily to Vietnam's internal and external problems, Hanoi's leaders could plausibly conclude that a more vigorous and more successful campaign in Kampuchea is a necessary step toward lightening many of their burdens. Kampuchea is the one place where they can take action by using the army with some prospect of improving their plight largely by their own effort. Increased Khmer Rouge activity because of the steady and reliable Sino-Thai supply system and Thai distraction because of internal political disarray act as additional inducements for Vietnam to strike strongly at the Khmer "enemy" and its support infrastructure.

Although most activities in Kampuchea reflect relatively normal conditions, recent changes in Vietnam's army of occupation suggest that major counterinsurgency sweeps are likely before long and could have greater success than past efforts. Evidence indicates there will probably be a series of division-level or larger sweeps in various parts of the western border that could also involve clashes inside Thailand. Logistic and other preparations do not appear sufficient to sustain a prolonged and

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deep penetration into Thailand. Vietnam will not take action deliberately of a scope and duration so as to invite a punitive Chinese attack comparable to the 1979 "lesson."

There are no indications that a full-scale war will be initiated deliberately in Southeast Asia in 1981. On the other hand, more and possibly larger clashes are likely to occur along the Thai-Kampuchean and Sino-Vietnamese border as routine features of the security situation. These are not likely to escalate into a broader or general conflict except through miscalculation. The risk of miscalculation is substantial, and it would be very difficult to provide much warning that escalation was occurring. Movement to the Vietnamese border by numerous Chinese armies and air units, because of the great resource expenditures involved, would be a strong indicator that China was about to administer a "second lesson" against Vietnam.

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DISCUSSION

During the two years since China's punitive attack against Vietnam in 1979, conditions in Southeast Asia have evolved in directions that strongly affect the flexibility of the major parties to the Indochina problem. Although there are enduring and familiar trends, such as widespread instability, economic strains and hostility among the parties, these have developed so that a new war in Southeast Asia is less likely than it was in 1979, unless extreme conditions of stress emerge. On the other hand, more frequent limited conflicts, mainly in Kampuchea but also in northern Vietnam, are likely to become routine features of the security situation.

Political and economic factors in the major countries involved have, in a sense, established a new threshold for military action. Isolated in the international community, beset by almost uncontrollable economic problems and with simmering discontent at home, Hanoi's leaders have little hope of improving their situation as long as the Kampuchean occupation continues to drain resources and manpower. On the other hand, the occupation is the one problem even remotely susceptible to military exertions, the Vietnamese forte. With Thai and ASEAN rejection of the latest proposals for talks, the Vietnamese would have little to lose by introducing a heightened military phase once again. Despite the costs of such action, the Vietnamese might see some chances of at least gaining a respite and time for some reconstruction efforts to take root. Although the rebels are unable to contest seriously Vietnam's hold on Kampuchea, Vietnam must ultimately disrupt the rebel supply system before its efforts to restore normal security conditions can achieve any lasting effect.

The Thai Situation

Instability in the Thai government could encourage Hanoi. Vietnamese press reflects close attention to Thai political developments and Hanoi's strategists could now perceive a window for action in which the Thai would be too preoccupied with political intrigue to respond effectively until after the rebel support system was badly damaged. Whatever the explanation behind Vietnam's recent restraint towards Thailand, it has had the effect of lulling at least the border commanders, most of

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whom typically were recently noted in Bangkok instead of with their units. Reports from Bangkok also reinforce the notion that the government is preoccupied with internal matters and considers border conditions manageable. This ebb and flow of attention towards the border is not new, but the present complacency of the Thai might further induce Vietnam to act in response to more powerful incentives.

The visit by Chinese Premier Zhao Ziyang to Thailand can be seen as an impressive demonstration of Sino-Thai solidarity, for Hanoi's benefit. Zhao is not known, however, to have carried any new formulation of Chinese commitment to Thailand's defense in the event of a major Vietnamese attack. The Thai have pressed for over a year for a more precise definition to the Chinese support. Although a reassuring gesture, Zhao's visit did little to dispel enduring Thai anxieties, probably complicated Thai dealings with noncommunist ASEAN neighbors in the process and reinforced Vietnam's hostility toward Thailand.

Thailand's other major benefactor, the US, has also been reassuring because of the hard line projected by the new administration. This has been well received in Bangkok and may have contributed to the willingness to reinforce the border with new units including a tank battalion formed last year from modernized M-48 tanks supplied after the Vietnamese transgression in June 1980.

Bangkok is certainly not seeking actively to embarrass its benefactors but has persistent interest in probing the limits of their resolve. Chinese, ASEAN and US support and Thai understanding of Vietnam's internal stresses encourage Thailand to continue to stand up to Vietnam. This policy is not likely to change while Prem is in power with military support, but internal developments dilute its strength at present. In this rather exposed and more vulnerable period, Thailand would be quick to turn to its patrons in the event of trouble. Caught by surprise and embarrassed, the Thai might react too late to thwart the Vietnamese, but strongly enough to cause a border crisis to escalate.

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Constraints on China

China's position is particularly delicate, making the next few months possibly the best time yet for Vietnam to act in the border zone. The Chinese have now concluded that the pace of economic and political reform has been too fast and have begun measures in the past few months to slow down the tempo of change.

[redacted] much of the elite and the populace harbors serious misgivings about the changes, but the degree of internal discontent is not clear.

Leaving aside the thorny political problems, the economic facts of life seem particularly troublesome. Since December, China has eschewed all but the most tightly controlled foreign trade and investment opportunities. Important and costly contracts have been cancelled; major plants have been closed; in some cases whole plants have been offered for sale; the yuan has been devalued for foreign transactions. Economic spokesmen imply that 1981 will be a year of little or no growth in most sectors and of actual backslicing in some, such as mineral extraction and oil production. The Chinese have admitted that inflation, unemployment and a major budget deficit exist. Although the measures have not been characterized by panic, they bespeak a rather typical pattern of strenuous action to head off a serious cash shortage that possibly threatens default on major obligations.

The economic measures are not confined to the international sectors of the economy. Capital construction funds have been severely cut, including those for the Peoples Liberation Army. The trend toward decentralization in the economy has been almost reversed in practice, with some sectoral and regional exceptions. Some provinces have [redacted] gasoline shortages and rationing. Agriculture and light industry, China's leading export earners, retain the highest development stress.

The economic squeeze is also hitting the Peoples Liberation Army. No contracts for modern weapons are likely for at least two years [redacted]. Major projects under negotiation for years have been deferred. Additionally, a reduction in force is underway, possibly beginning in some ranks

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early last year. One [redacted] incident of disorder between demobilized and active duty personnel has been reported and many more are alleged. Peasant soldiers resent the closure of the PLA as an avenue to a better life because of early discharge and tighter recruitment and promotion standards. At the same time, many on active duty feel themselves disadvantaged by programs that have improved the living standard of farmers and workers. The complaints focus largely on the relative difficulty that military dependents have taking advantage of bonuses and incentives to improve their lifestyles when the head of household is a full-time soldier.

An analysis [redacted] last year indicated that the amount of unprogrammed increase in the military budget caused by the Sino-Vietnamese war of 1979 almost exactly corresponded to the increase in the supply of paper money printed. The Chinese acknowledge that the war cost some 2 billion yuan. Aside from the obvious inflationary effects of this financing technique and the increased deficit the war brought, the net cost of the effort most likely far exceeded the public figure. The war cost over 1.5 million man-days in lost production opportunities by the armed forces alone. Many more man-days were lost because of the disruption of the economies of parts of Kunming and Guangzhou Military Regions that was caused by mobilization of the militia to support the army. Additionally, defensive measures, including wholesale population relocation along parts of the Soviet border, are also probably not counted in the public figure.

China's leaders, of course, could decide to go to war despite the economic costs. Nonetheless, the costs of a new war could have catastrophic consequences for development plans which have now been delayed five or six years, but to which the Chinese remain strongly committed. In practical terms, China probably cannot afford to go to war. The Chinese leadership's present appraisal of the economic problems serves to reinforce any reluctance to strike at Vietnam again unless forced to by extreme provocations. Although the Vietnamese

[redacted] may not be aware fully of any reluctance on China's part, the next few months probably would be the best time for them to try to clean up their border problems in Kampuchea with the least fear of a Chinese "second lesson."

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Although the Soviets have been the main beneficiary of the turbulence in Southeast Asia, they have a substantial interest in at least reducing the burden of carrying Vietnam, now said by [redacted] to cost the Soviets at least \$6 million daily in non-military aid alone.

[redacted] They probably would not, perhaps could not, restrain Vietnamese operations in Kampuchea, even if they spilled over into Thailand.

Military Considerations: Shooting but No War

Military conditions along the Chinese border with Vietnam exemplify the "no war-no peace" conditions since 1979. Both sides have improved border defenses and reinforced substantially their respective garrisons. Artillery duels, border violations and exercises by regular forces near the border are reported regularly [redacted]. In late 1979, the threatened "second lesson" seemed quite real but later proved to be an elaborate Chinese bluff to deter a Vietnamese dry season offensive in Kampuchea that never developed on the scale that earlier seemed likely. Periodically in 1980, the Chinese also threatened a "second lesson," but instead increased the tempo of fighting along the common border, generally in reaction to threatened or real Vietnamese operations in western Kampuchea or depredations along the Sino-Vietnamese border.

The pattern that has emerged from the past two years is one of threat and counterthreat punctuated by increased combat in local areas, but the fighting has remained tailored to the gravity of the provocation and has been limited. Neither China nor Vietnam seem to want nor are they likely to deliberately initiate a major test of arms for some time.

In contrast, significant changes have occurred in Vietnam's military posture in Kampuchea that do portend increased fighting. These include adjustments in [redacted] ground forces organization, manpower recruitment, logistics and possibly air activity. The new developments lack sufficient scope to presage an invasion of Thailand or other provocation

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grave enough to spur a Chinese lesson, but do threaten greater conflict in the immediate western border region of Kampuchea. They also would increase the likelihood of spillover into Thailand and the dangers of escalation.

A continuing series of reports [redacted] has provided information confirming that Vietnam's military effort is extensive and conventional.

The overall structure has changed very little, but strength estimates still lack precision and definition. The most consistent estimate is that Vietnam has some 200,000 troops in Kampuchea [redacted]

Developments at division and below point to a continuing refinement in the nature and style of the occupation army.

Vietnam has continued, although with difficulty, strenuous recruitment programs in part to raise the manpower level of divisions along the western border of Kampuchea.

Poor morale and leadership, a high desertion rate, and overall poor performance in suppressing the insurgency contributed to an important [redacted] reorganization in mid-1980, probably with Soviet advice.

[redacted] reflected a move away from a collegial command of maneuver divisions to a unitary command vested in a single division commander. This was partially aimed at making Vietnam's command structure more distinct from China's by adopting Soviet practice. It caused substantial stir in Vietnamese military circles, prompting commentary and explanations by high level military officers. In addition to other problems, confusion of command authority was seen as inhibiting effective military performance.

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Concomitantly, the Vietnamese clarified and simplified the functions of the occupation force through a reorganization of at least some of the maneuver divisions.

"groups" have been formed from regiments and battalions

group forces are heavily involved in harvest work, indoctrination, population control, and training of new Kampuchean recruits for the Vietnamese-controlled Khmer army of Heng Samrin.

Along with the emergence of the groups is the formation, of a greater number of Heng Samrin units which are led by Vietnamese.

These measures have had an important effect on the regular infantry divisions. Some have become more mobile and less tied to territorial control responsibilities. Increased use of Kampuchean units has freed Vietnamese manpower for combat instead of rear area duties.

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Probably related to the formation of the groups [redacted] is a westward shift by Vietnamese units west of the Mekong River.

Vietnamese intelligence has generally been quite good, as reflected in the disposition of divisions along the border opposite known Thai supply points and Khmer rebel bases. Vietnam's past attempts to box the Khmer in the border zone have not succeeded, and the occupation army's effectiveness has declined. Still, [redacted] changes may make a difference. New organizational measures [redacted] and larger forces will evidently be used in a series of large sweeps to destroy rebel forces lured into set-piece battles in the border area. [redacted]

The major sweep near Battambang, last December, was followed by a limited withdrawal from the border designed [redacted] to lure concentrated rebel forces deeper into the Kampuchea. [redacted] rebels seem to be taking the bait there and in other similar situations. [redacted]

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Vietnam's logistic effort to prepare for the dry season combat was fairly extensive, especially in the western region. Although western units seem supplied adequately to support divisional sweeps [redacted] stockpiles do not seem sufficient to sustain a deep and prolonged penetration of the border. [redacted]

Vietnam's air force has played a mostly supporting role since the initial conquest of Kampuchea, concentrating on flying cargo and personnel transport, medical evacuation, and border reconnaissance missions. [redacted]

Tactical aircraft may be committed to supporting ground operations in western Kampuchea, although no deployments to Kampuchea have been detected. [redacted]

A recent spate of Vietnamese reconnaissance forays in Thailand has set the stage for fighting on Thai soil, possibly to destroy the rebel supply system. [redacted]

[redacted] Along with intelligence collection, the reconnaissance teams are conducting limited spoiling operations to disrupt the supply system in Thailand or counter a recent increase in Khmer rebel operations. Similar operations preceded the 23 June 1980 incident at Ban Non Mak Mun in Thailand. Now as then, the teams do not appear reluctant to attack Thai forces when encountered as well as Khmer rebel groups. If division-level sweeps are conducted, it seems likely that Vietnam will, at least, conduct hot pursuit into Thailand. A substantial, or at least well-publicized clash with Thai forces could easily occur and lead to an escalation of the border fighting. [redacted]

Whereas Vietnamese intentions toward Thailand are still not fully clear, the recent surge in Khmer rebel action is aimed at preventing or disrupting feared major sweeps by Vietnam. Since late last year a substantial Sino-Thai resupply effort has invigorated the Khmer, who have mounted operations by units up to

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battalion (several hundred men) size.

The Khmer are also moving into areas abandoned by Vietnamese units that have consolidated and seem inclined to treat this as a sign of success. They have on several occasions assaulted and seized small border towns--unusual acts of daring by the rebels.

Various sources allege an increase in Khmer rebel recruitment and the overall strength of the rebels.

Reports claim formation of new Khmer rebel units, but most sources rate Khmer Rouge strength at 30-35,000--somewhat higher than in 1979, but any figure is questionable. Activity has been quite vigorous near all of the Thai border supply points and in the western interior of Kampuchea, probably because the Khmer expect major Vietnamese sweeps against their base areas in Thailand. Activity deeper in the Kampuchean interior, except near Siem Reap, is mostly of nuisance value and on the level of a law and order problem. Most of one Khmer Rouge division has been forced to abandon the eastern interior of Kampuchea and apparently has relocated closer to the Thai border.

As for the Thai, the arrival of a fresh infantry regimental combat team in December has increased Thai border strength beyond recent levels. From Laos to the Gulf of Thailand, the Thai now have close to 18,000 military and paramilitary troops. Although still no match for the over 100,000 Vietnamese arrayed immediately in the Kampuchean side of the border, the Thai leaders evince increased confidence, if not complacency, that no large fighting will occur and that they have the ability to counter local Vietnamese border depredations. The Thai have also stepped up their own border patrols in some areas and generally increased reconnaissance and spoiling operations in Kampuchea.

Although the Vietnamese and Thai do not seem to be deliberately planning major battles against each other, their inclinations to sponsor forays into each other's areas of control contain serious risks of escalation. The risks will be somewhat worsened by the activities of the Khmer rebels in both Thailand and Kampuchea. Once battle were joined, it is unclear whether

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either the Thai or the Vietnamese would be willing to step back from an escalating situation. [redacted]

Possible implications for warning of the changed conditions in Southeast Asia and China are:

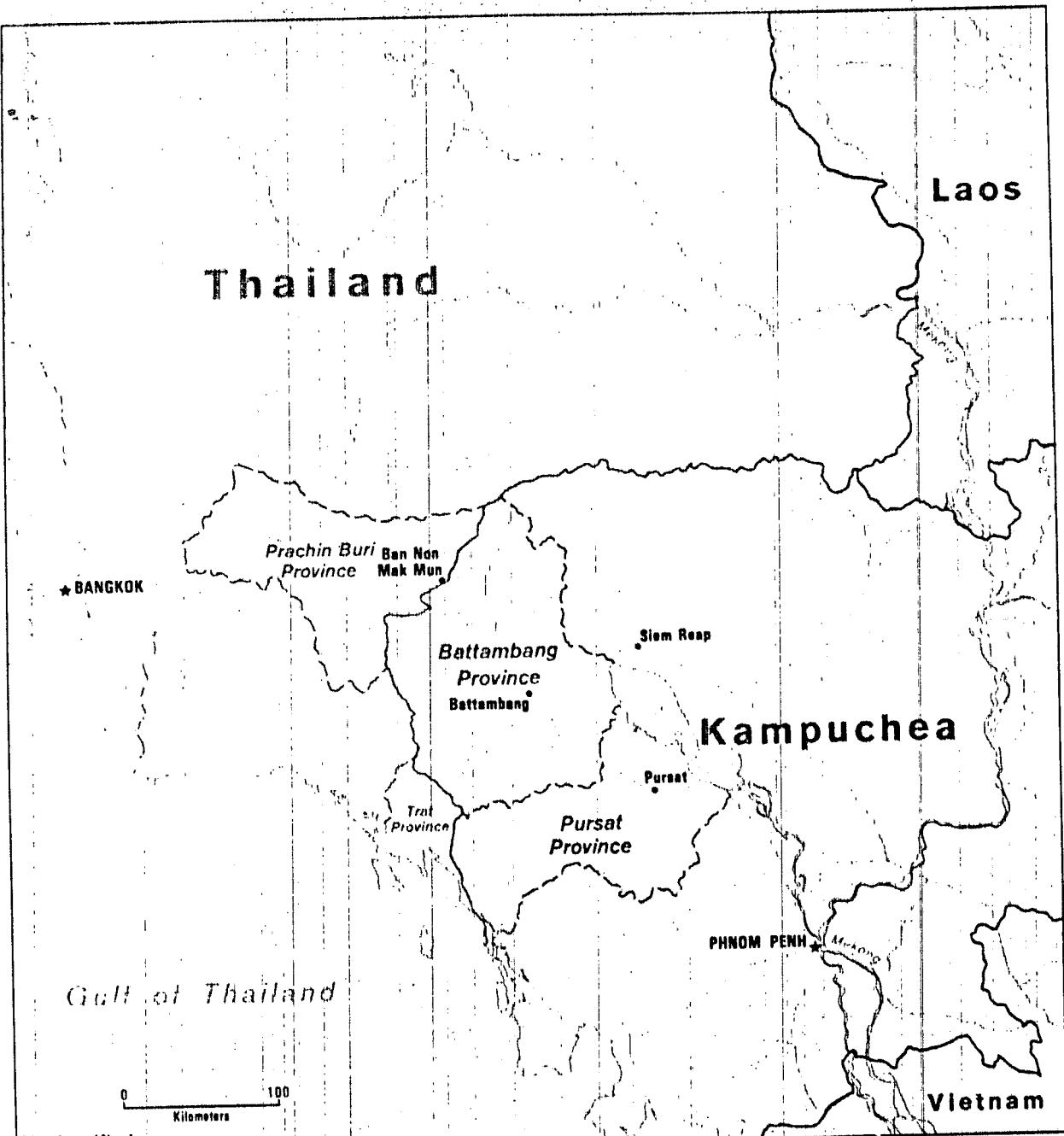
-- The current westward orientation of substantial Vietnamese forces shortens considerably the amount of time necessary for the Vietnamese to mount a major invasion of Thailand. Available evidence, however, indicates that the Vietnamese are not now considering an invasion.

-- Although likely to be limited, clashes between Thai and Vietnamese forces in the border areas will carry a risk of escalation through miscalculation that will be difficult to foresee.

-- Moves southward of major Chinese forces would require expenditures of resources which the PRC can ill-afford economically. Any such move would be a serious indicator of intent to open hostilities with the Vietnamese. [redacted]

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